Japan Airlines Corporation and Consolidated Subsidiaries

Consolidated Interim Financial Information

For the six months ended September 30, 2006 and 2005
and the year ended March 31, 2006

1. Consolidated Financial Highlights

(Amounts of less than one million yen have been omitted.)

(1) Consolidated Operating Results for the Six Months Ended September 30, 2006 (FH06) and September 30, 2005 (FH05) and the Year Ended March 31, 2006 (FY05)

(Millions of yen except for per share information)

(i)	Operating revenues:	FH06	¥1,150,002		(3.4%)
		FH05	¥1,112,346		(3.4%)
		FY05	¥2,199,385		
(ii)	Operating income (loss):	FH06	¥	8,160	(-48.3%)
		FH05	¥	15,785	(-81.8%)
		FY05	¥	(26,834)	
(iii)	Ordinary income (loss):	FH06	¥	5,335	(-45.5%)
		FH05	¥	9,780	(-90.9%)
		FY05	¥	(41,608)	
(iv)	Net income (loss):	FH06	¥	1,510	(–)
		FH05	¥	(12,042)	(–)
		FY05	¥	(47,243)	
(v)	Net income (loss) per share:	FH06	¥	0.66	
		FH05	¥	(6.08)	
		FY05	¥	(23.88)	
(vi)	Diluted net income per share:	FH06	¥	0.60	
		FH05	¥	–	
		FY05	¥	–	
(vii)	Equity in earnings of affiliates:	FH06	¥	1,030	
		FH05	¥	1,021	
		FY05	¥	1,899	

Note 1. Weighted-average number of shares outstanding during the period:

September 30, 2006	2,293,808,400
September 30, 2005	1,979,820,270
March 31, 2006	1,979,708,032

(2) Consolidated Financial Position at September 30, 2006 (FH06), March 31, 2006 (FY05) and September 30, 2005 (FH05)

(Millions of yen except for per share information)

(i)	Total assets:	FH06	¥2,261,305
		FH05	¥2,196,666
		FY05	¥2,161,240
(ii)	Net assets:	FH06	¥ 360,031
		FH05	¥ 178,630
		FY05	¥ 148,066
(iii)	Net assets ratio excluding minority interests:	FH06	14.8%
		FH05	8.1%
		FY05	6.9%
(iv)	Net assets per share excluding minority interests:	FH06	¥ 122.20
		FH05	¥ 90.23
		FY05	¥ 74.78

Note 1. Number of shares outstanding at the end of the period:

September 30, 2006	2,729,562,810
September 30, 2005	1,979,686,793
March 31, 2006	1,979,519,354

(3) Consolidated Cash Flows for the Six Months Ended September 30, 2006 (FH06) and September 30, 2005 (FH05) and the Year Ended March 31, 2006 (FY05)

(Millions of yen)

(i)	Net cash provided by operating activities:	FH06	¥ 72,546
		FH05	¥ 77,115
		FY05	¥ 100,984
(ii)	Net cash used in investing activities:	FH06	¥ (42,081)
		FH05	¥ (61,513)
		FY05	¥ (99,283)
(iii)	Net cash provided by (used in) financing activities:	FH06	¥ 87,347
		FH05	¥ (81,841)
		FY05	¥ (91,384)
(iv)	Cash and cash equivalents at end of the period:	FH06	¥ 290,488
		FH05	¥ 195,576
		FY05	¥ 172,132

(4) Consolidation Policy

See notes to accompanying consolidated interim financial statements.

1. Consolidated Financial Highlights (continued)

(5) Changes in Accounting Policy

Changes in accounting policy were made for the six months ended September 30, 2006.

2. Consolidated Financial Forecast for the Year Ending March 31, 2007

(1)	Operating revenues:	¥	2,281,000	million
(2)	Ordinary income:	¥	500	million
(3)	Net income:	¥	3,000	million
(4)	Net income per share:	¥	1.10	

For assumptions underlying the forecast and other concerns, refer to page 24 of the PDF file on our web-site. www.jal.com/en/ir/finance/pdf/line/061109_1.pdf

3. Consolidated Subsidiaries and Affiliates Accounted for by the Equity Method

Japan Airlines Corporation owns 273 subsidiaries and currently consolidates 154 subsidiaries, including the following principal subsidiaries:

JAPAN AIRLINES INTERNATIONAL CO., LTD.
JAPAN AIRLINES DOMESTIC CO., LTD.
JAPAN ASIA AIRWAYS CO., LTD.
JAPAN TRANS OCEAN AIR CO., LTD.
JALWAYS CO., LTD.
JAL EXPRESS CO., LTD.
JAPAN AIR COMMUTER CO., LTD.
AGP CORPORATION
JALPAK CO., LTD.
JAL TOURS CO., LTD.
JAL HOTELS COMPANY LTD.
JALUX, INC.

The number of unconsolidated subsidiaries which are not accounted for by the equity method is currently 119.

The number of affiliates is currently 97, including 21 companies which are accounted for by the equity method.

3. Consolidated Subsidiaries and Affiliates Accounted for by the Equity Method (continued)

Changes in the scope of consolidation and adoption of the equity method are summarized as follows:

Consolidation:

Increase - 6
JALPAK INTERNATIONAL U.S.A., INC. (*1)
JAL GROUND SERVICE SAPPORO CO., LTD. (*1)
JAL GROUND SERVICE OSAKA CO., LTD.
(formerly NISHINIHON AIRPORT SERVICE CO., LTD.) (*1)
JAL GROUND SERVICE KYUSHU CO., LTD.
(formerly KYUSHU AIRPORT SERVICE CO., LTD.) (*1)
JALTRANS, INC. (*1)
CONTACT CUSTOMS CLEARANCE, INC. (*1)

Decrease - 4
JAL SALES CO., LTD. (*2)
HOKKAIDO AIR SERVICE CO., LTD. (*3)
INTERNATIONAL CATERING LTD. (*4)
CHITOSE INTERNATIONAL HOTEL CO., LTD. (*4)

(*1) Became material
(*2) Merged with Japan Airlines International Co., Ltd.
(*3) Merged with JAL Ground Service Sapporo Co., Ltd.
(*4) The shares in the above companies were sold

Equity method:

Increase - 1
AVICOM JAPAN CO., LTD. (*5)

(*5) Became material

(2) - I

Japan Airlines Corporation and Consolidated Subsidiaries

Comparative Consolidated Balance Sheets

At September 30, 2006, March 31, 2006 and September 30, 2005

	September 30, 2006	March 31, 2006	Change	September 30, 2005
		(Millions of yen)		
Assets				
I. Current assets:				
Cash and time deposits	¥ 295,188	¥ 173,948	¥121,240	¥ 197,819
Notes and accounts receivable – trade	283,118	237,479	45,639	241,397
Short-term investments in securities	8,000	5,936	2,063	5,569
Supplies	85,821	83,717	2,104	82,896
Deferred income taxes	2,503	9,539	(7,036)	9,325
Other current assets	162,160	179,695	(17,534)	167,665
Allowance for bad debts	(2,947)	(2,996)	48	(2,836)
Total current assets	833,846	687,319	146,526	701,838
II. Fixed assets:				
Tangible fixed assets:				
Buildings and structures	190,746	203,039	(12,293)	209,480
Machinery, equipment and vehicles	31,140	31,743	(602)	32,483
Flight equipment	770,618	791,098	(20,480)	822,014
Land	53,505	55,979	(2,473)	56,565
Construction in progress	71,927	49,551	22,375	28,620
Other tangible fixed assets	20,252	21,348	(1,095)	21,491
Total tangible fixed assets	1,138,191	1,152,762	(14,571)	1,170,656
Intangible fixed assets:				
Software	71,547	70,373	1,173	66,261
Other intangible fixed assets	1,658	1,701	(43)	1,835
Total intangible fixed assets	73,205	72,075	1,130	68,096
Investments:				
Investments in securities	78,071	88,750	(10,679)	83,293
Long-term loans receivable	14,221	14,582	(360)	15,966
Deferred income taxes	44,114	52,085	(7,970)	48,546
Other investments	81,192	96,043	(14,851)	111,119
Allowance for bad debts	(2,366)	(2,385)	18	(2,891)
Total investments	215,233	249,076	(33,843)	256,033
Total fixed assets	1,426,629	1,473,913	(47,283)	1,494,787
III. Deferred charges:				
Stock issuance expenses	825	–	825	–
Bond issuance expenses	3	6	(3)	41
Total deferred charges	828	6	822	41
Total assets	¥2,261,305	¥2,161,240	¥100,065	¥2,196,666

	September 30, 2006	March 31, 2006	Change	September 30, 2005
		(Millions of yen)		
Liabilities				
I. Current liabilities:				
Accounts payable – trade	¥ 265,330	¥ 237,803	¥ 27,526	¥ 234,793
Short-term borrowings	5,069	6,562	(1,492)	12,144
Current portion of bonds	80,000	30,000	50,000	–
Current portion of long-term loans	109,351	113,045	(3,693)	115,209
Accrued income taxes	6,582	4,700	1,882	8,609
Deferred income taxes	10,080	29	10,050	72
Other current liabilities	205,380	252,702	(47,322)	254,741
Total current liabilities	681,796	644,844	36,951	625,570
II. Non-current liabilities:				
Bonds	230,000	280,000	(50,000)	310,000
Long-term loans	744,675	800,001	(55,326)	800,130
Accrued pension and severance costs	132,821	139,753	(6,931)	150,277
Deferred income taxes	937	1,340	(403)	713
Other non-current liabilities	111,043	119,784	(8,740)	104,247
Total non-current liabilities	1,219,477	1,340,879	(121,402)	1,365,369
Total liabilities	1,901,273	1,985,724	(84,450)	1,990,940
Minority interests	–	27,449	–	27,095
Stockholders' equity				
I. Common stock	–	100,000	–	100,000
II. Capital surplus	–	136,145	–	136,143
III. Accumulated deficit	–	(90,186)	–	(54,986)
. Net unrealized gain on investments in securities, net of taxes	–	8,777	–	5,690
V. Translation adjustments	–	(5,776)	–	(7,378)
VI. Common stock in treasury, at cost	–	(892)	–	(838)
Total stockholders' equity	–	148,066	–	178,630
Total liabilities and stockholders' equity	¥ –	¥2,161,240	¥ –	¥2,196,666
Net assets				
I. Stockholders' equity:				
Common stock	¥ 174,250	¥ –	¥ –	¥ –
Capital surplus	79,105	–	–	–
Retained earnings	43,228	–	–	–
Common stock in treasury, at cost	(871)	–	–	–
Total stockholders' equity	295,712	–	–	–
II. Valuation, translation and other:				
Net unrealized gain on investments in securities, net of taxes	3,541	–	–	–
Net unrealized gain on hedging instruments, net of taxes	40,244	–	–	–
Translation adjustments	(5,950)	–	–	–
Total valuation, translation and other	37,834	–	–	–
III. Minority interests	26,484	–	–	–
Total net assets	360,031	–	–	–
Total liabilities and net assets	¥2,261,305	¥ –	¥ –	¥ –

(2) - II

Japan Airlines Corporation and Consolidated Subsidiaries

Comparative Consolidated Statements of Operations

For the six months ended September 30, 2006 and 2005
and the year ended March 31, 2006

	Six months ended September 30, 2006	Six months ended September 30, 2005	Change	Year ended March 31, 2006
		(Millions of yen)		
Operating revenues	¥1,150,002	¥1,112,346	¥ 37,655	¥2,199,385
Cost of operating revenues	947,530	905,489	42,040	1,839,190
Gross profit	202,471	206,857	(4,385)	360,195
Selling, general and administrative expenses	194,311	191,071	3,240	387,029
Operating income (loss)	8,160	15,785	(7,625)	(26,834)
Non-operating income:				
Interest and dividend income	2,414	2,100	314	3,713
Equity in earnings of affiliates	1,030	1,021	9	1,899
Exchange gain, net	7,621	3,077	4,544	12,170
Other non-operating income	3,289	6,095	(2,805)	8,593
Total non-operating income	14,356	12,294	2,062	26,378
Non-operating expenses:				
Interest expense	9,614	11,293	(1,678)	21,811
Other non-operating expenses	7,566	7,005	560	19,340
Total non-operating expenses	17,181	18,299	(1,117)	41,152
Ordinary income (loss)	5,335	9,780	(4,445)	(41,608)
Extraordinary profit:				
Gain on sales of fixed assets	1,365	386	978	19,093
Gain on sales of investments in securities	9,046	510	8,535	–
Gain recognized upon separation of substitutional portion of benefit obligation of welfare pension fund plan	1,519	–	1,519	–
Gain on partial termination of defined benefit plan	–	–	–	6,810
Prior year foreign exchange difference	–	1,458	(1,458)	–
Other extraordinary profit	834	323	511	4,567
Total extraordinary profit	12,766	2,679	10,086	30,471
Extraordinary loss:				
Loss on sales and disposal of fixed assets	1,186	2,169	(983)	6,052
Special termination benefits	1,764	–	1,764	4,033
Loss on partial termination of defined benefit plan	2,199	–	2,199	–
Loss on impairment of fixed assets	–	13,209	(13,209)	18,705
Other extraordinary loss	573	2,904	(2,331)	6,511
Total extraordinary loss	5,724	18,283	(12,558)	35,303
Income (loss) before income taxes and minority interests	12,376	(5,823)	18,199	(46,440)
Income taxes – current	5,865	9,430	(3,564)	8,419
Income taxes – deferred	3,356	(4,826)	8,182	(9,966)
Minority interests	(1,644)	(1,615)	(28)	(2,350)
Net income (loss)	¥ 1,510	¥ (12,042)	¥ 13,553	¥ (47,243)

(2) - III

Japan Airlines Corporation and Consolidated Subsidiaries

Consolidated Statement of Changes in Net Assets

For the six months ended September 30, 2006

	Stockholders' equity				
	Common stock	Capital surplus	Retained earnings (accumulated deficit)	Common stock in treasury	Total stockholders' equity
			(Millions of yen)		
Balance at March 31, 2006	¥100,000	¥ 136,145	¥ (90,186)	¥(892)	¥145,065
Changes during the six months ended September 30, 2006					
Transfer from capital surplus to accumulated deficit in accordance with a resolution approving elimination of deficit		(131,274)	131,274		–
Issuance of common stock	74,250	74,250			148,500
Net income for the six months ended September 30, 2006			1,510		1,510
Purchases of common stock in treasury				(63)	(63)
Sales of common stock in treasury		(14)		85	70
Changes in scope of consolidation and adoption of equity method			656		656
Bonuses to directors and statutory auditors			(26)		(26)
Changes other than stockholders' equity, net					
Total changes	74,250	(57,039)	133,414	21	150,646
Balance at September 30, 2006	¥174,250	¥ 79,105	¥ 43,228	¥(871)	¥295,712

	Valuation, translation and other					
	Net unrealized gain on investments in securities, net of taxes	Net unrealized gain on hedging instruments, net of taxes	Translation adjustments	Total valuation, translation and other	Minority interests	Total net assets
				(Millions of yen)		
Balance at March 31, 2006	¥ 8,777	¥ –	¥(5,776)	¥ 3,000	¥27,449	¥175,515
Changes during the six months ended September 30, 2006						
Transfer from capital surplus to accumulated deficit in accordance with a resolution approving elimination of deficit						–
Issuance of common stock						148,500
Net income for the six months ended September 30, 2006						1,510
Purchases of common stock in treasury						(63)
Sales of common stock in treasury						70
Changes in scope of consolidation and adoption of equity method						656
Bonuses to directors and statutory auditors						(26)
Changes other than stockholders' equity, net	(5,236)	40,244	(173)	34,834	(965)	33,869
Total changes	(5,236)	40,244	(173)	34,834	(965)	184,515
Balance at September 30, 2006	¥ 3,541	¥40,244	¥(5,950)	¥37,834	¥26,484	¥360,031

Japan Airlines Corporation and Consolidated Subsidiaries

Consolidated Statements of Capital Surplus and Accumulated Deficit

For the six months ended September 30, 2005
and the year ended March 31, 2006

	Six months ended September 30, 2005	**Year ended March 31, 2006**
	(Millions of yen)	
Capital surplus		
Balance at beginning of period	¥136,141	¥136,141
Increase:		
Gain on sales of common stock in treasury	1	3
Balance at end of period	¥136,143	¥136,145
Accumulated deficit		
Balance at beginning of period	¥ (34,978)	¥ (34,978)
Decrease:		
Net loss	(12,042)	(47,243)
Cash dividends	(7,919)	(7,919)
Bonuses to directors and statutory auditors	(44)	(44)
Balance at end of period	¥ (54,986)	¥ (90,186)

(2) - IV

Japan Airlines Corporation and Consolidated Subsidiaries

Comparative Consolidated Statements of Cash Flows

For the six months ended September 30, 2006 and 2005
and the year ended March 31, 2006

	Six months ended September 30, 2006	Six months ended September 30, 2005	Year ended March 31, 2006
		(Millions of yen)	
Operating activities			
Income (loss) before income taxes and minority interests	¥ 12,376	¥ (5,823)	¥ (46,440)
Adjustments to reconcile income (loss) before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	58,973	62,053	125,126
Gain and loss on sales of, and loss on revaluation of, short-term investments in securities and investments in securities, net	(8,934)	1,315	1,295
Loss on sales of, and loss on disposal of, fixed assets and loss on impairment of fixed assets, net	4,639	19,824	17,138
Net provision for accrued pension and severance costs	(7,071)	612	(9,919)
Interest and dividend income	(2,414)	(2,100)	(3,713)
Interest expense	9,614	11,293	21,811
Exchange (gain) loss, net	(173)	(454)	106
Equity in earnings of affiliates	(1,030)	(1,021)	(1,899)
Increase in notes and accounts receivable	(45,561)	(17,957)	(13,120)
Increase in supplies	(2,182)	(6,553)	(7,365)
Increase in accounts payable	27,711	20,631	22,812
Other	35,172	8,837	23,272
Subtotal	81,119	90,659	129,103
Interest and dividends received	2,484	2,283	4,151
Interest paid	(9,401)	(11,545)	(22,507)
Income taxes paid	(1,655)	(4,281)	(9,762)
Net cash provided by operating activities	72,546	77,115	100,984
Investing activities			
Purchases of time deposits	(5,200)	(884)	(969)
Proceeds from maturity of time deposits	160	353	917
Purchases of fixed assets	(66,032)	(82,590)	(146,972)
Proceeds from sales of fixed assets	24,769	24,291	48,403
Purchases of investments in securities	(5,553)	(6,366)	(7,584)
Proceeds from sales and maturity of investments in securities	10,271	703	1,576
Payments for sales of consolidated subsidiaries resulting in change in scope of consolidation	(1,564)	–	–
Loans receivable made	(785)	(758)	(1,458)
Collection of loans receivable	3,558	2,229	4,849
Other	(1,706)	1,509	1,955
Net cash used in investing activities	(42,081)	(61,513)	(99,283)

	Six months ended September 30, 2006	Six months ended September 30, 2005	Year ended March 31, 2006
		(Millions of yen)	
Financing activities			
(Decrease) increase in short-term borrowings, net	¥ (1,535)	¥ 381	¥ (5,355)
Proceeds from long-term loans	1,102	400	57,285
Repayment of long-term loans	(58,681)	(58,121)	(117,563)
Proceeds from issuance of common stock	147,990	–	–
Redemption of bonds	–	(15,000)	(15,000)
Dividends paid to stockholders	(9)	(7,818)	(7,846)
Dividends paid to minority interests	(546)	(421)	(433)
Other	(971)	(1,261)	(2,473)
Net cash provided by (used in) financing activities	87,347	(81,841)	(91,384)
Effect of exchange rate changes on cash and cash equivalents	233	904	1,061
Net increase (decrease) in cash and cash equivalents	118,045	(65,334)	(88,622)
Cash and cash equivalents at beginning of period	172,132	260,933	260,933
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	310	–	–
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	–	(21)	(178)
Cash and cash equivalents at end of period	¥290,488	¥195,576	¥ 172,132

Reconciliation between cash and time deposits and cash and cash equivalents			
Cash and time deposits	¥295,188	¥197,819	¥ 173,948
Time deposits with original maturity of more than three months	(6,737)	(2,119)	(1,726)
Marketable securities with original maturity of three months or less	2,101	0	0
Current account overdraft included in short-term borrowings	(63)	(124)	(90)
Cash and cash equivalents at end of period	¥290,488	¥195,576	¥ 172,132

1. Summary of Significant Accounting Policies

a. Basis of presentation

Japan Airlines Corporation (the "Company") and consolidated domestic subsidiaries maintain their accounting records and prepare their interim financial statements in accordance with accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and its consolidated foreign subsidiaries, in conformity with those of their countries of domicile. The accompanying consolidated interim financial statements are not intended to present the consolidated financial position, results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than Japan.

Amounts of less than one million yen have been omitted. As a result, the totals shown in the accompanying consolidated interim financial statements do not necessarily agree with the sum of the individual amounts.

b. Principles of consolidation and accounting for investments in affiliates

The consolidated interim financial statements include the accounts of the Company and all significant subsidiaries controlled directly or indirectly by the Company. All significant intercompany accounts and transactions and unrealized gain or loss on intercompany accounts and transactions have been eliminated.

The balance sheet date of 26 of the consolidated subsidiaries is June 30, 2006, and for 1 consolidated subsidiary, it is August 31, 2006. Any significant differences in intercompany accounts and transactions arising from intervening intercompany transactions during the period from July 1, 2006 through September 30, 2006 and the period from September 1, 2006 through September 30, 2006 have been adjusted, if necessary.

Investments in significant affiliates are accounted for by the equity method.

The assets and liabilities of newly consolidated subsidiaries are stated at fair value as of their respective acquisition dates. The differences between the cost and the fair value of net equity in the net assets at the dates of acquisition of the consolidated subsidiaries and companies accounted for by the equity method are amortized by the straight-line method over a period of 5 years.

1. Summary of Significant Accounting Policies (continued)

c. Cash equivalents

Cash equivalents are defined as highly liquid, short-term investments with an original maturity of 3 months or less.

d. Inventories

Inventories are principally stated at cost based on the moving average method.

e. Securities

Marketable securities classified as other securities are carried at fair value with any unrealized gain or loss reported as a separate component of net assets, net of taxes. Non-marketable securities classified as other securities are carried at cost. Cost of securities sold is determined principally by the moving average method.

f. Derivatives

Derivatives positions are stated at fair value.

g. Tangible and intangible fixed assets

Tangible fixed assets

Aircraft, spare engines and spare parts	– The straight-line method or the declining-balance method based on their estimated useful lives
Other tangible fixed assets:	
Japan Airlines International Co., Ltd. and Japan Airlines Domestic Co., Ltd.	– The straight-line method based on their estimated useful lives
Other companies	– Principally the declining-balance method based on their estimated useful lives
Intangible fixed assets	– The straight-line method based on their estimated useful lives

h. Deferred charges

Stock issuance expenses and bond issuance expenses are capitalized and are being amortized over a period of 3 years.

i. Accrued pension and severance costs

To provide for employees' severance indemnities, net periodic pension cost, which represents the amount recognized as the cost of a pension plan for a period, is accounted for based on the projected benefit obligation and the plan assets.

1. Summary of Significant Accounting Policies (continued)

i. Accrued pension and severance costs (continued)

The unrecognized obligation at transition is being amortized by the straight-line method principally over a period of 15 years. However, Japan Airlines International Co., Ltd. ("JALI," which is a consolidated subsidiary of the Company) introduced a revised pension scheme under which employees have the option to change a portion of their existing lump-sum payment of retirement benefits to a defined contribution plan or to an early payment scheme on October 1, 2005. The portion of the unrecognized obligation at transition which relates to reducing the benefit obligation by the introduction of the option referred to above is being amortized by the straight-line method over a period of 8 years in accordance with Paragraph 15, "Transitional Arrangement," of "Accounting for the Transfer between Retirement Benefit Plans" (Accounting Standards Board of Japan Implementation Guidance No. 1). The adjustment for actuarial assumptions is being amortized by the straight-line method over a period ranging from 5 to 15 years, which is less than the average remaining years of service of the active participants in the plans. Amortization is computed from the fiscal year subsequent to the year in which the adjustment was recorded. Past service cost is principally charged to income as incurred. However, at certain subsidiaries, past service cost is being amortized by the straight-line method over a period which is less than the average remaining years of service of the active participants in the plans.

On April 1, 2006, the JAL Group Pension Fund established by certain consolidated subsidiaries received approval from the Minister of Health, Labor and Welfare with respect to its application for exemption from the benefit obligation related to past services. As a result, income before income taxes and minority interests increased by ¥1,519 million for the six months ended September 30, 2006.

Certain consolidated subsidiaries changed a portion of their retirement benefit plans to defined contribution plans on April 1, 2006 and applied "Accounting for the Transfer between Retirement Benefit Plans" (Accounting Standards Board of Japan Implementation Guidance No. 1). As a result, income before income taxes and minority interests increased by ¥519 million for the six months ended September 30, 2006.

On October 1, 2006, Japan Airlines Domestic Co., Ltd. ("JALD," which was a consolidated subsidiary of the Company) was merged into JALI. Accordingly, a pension scheme of JALI under which employees have the option to change a portion of the existing lump-sum payment of retirement benefits to a defined contribution plan or to an early payment scheme has been adopted to the former employees of JALD. As a result, operating income and ordinary income increased by ¥3,957 million and income before income taxes and minority interests increased by ¥2,107 million for the six months ended September 30, 2006. The portion of the unrecognized obligation at transition which will reduce the projected benefit obligation by the introduction of the option referred to above is being amortized by the straight-line method over a period of 8 years in accordance with Paragraph 15, "Transitional Arrangement," of "Accounting for the Transfer between Retirement Benefit Plans" (Accounting Standards Board of Japan Implementation Guidance No. 1). The effect of the adoption of this transitional arrangement was to decrease accrued pension and severance costs by ¥401 million and to increase income before income taxes and minority interests by ¥401 million.

1. Summary of Significant Accounting Policies (continued)

i. Accrued pension and severance costs (continued)

Certain consolidated subsidiaries changed their method of computing the projected benefit obligation from simplified methods to the standard method. As a result, an extraordinary loss of ¥322 million was recorded as the resulting difference in computation.

j. Allowance for bad debts

The allowance for bad debts on certain receivables is provided at the estimated unrecoverable amount. The allowance for bad debts on other receivables is provided based on the historical rate of losses on receivables.

k. Foreign currency accounts

Foreign currency receivables and payables are translated into yen at the applicable exchange rates in effect at the end of the period and any gain or loss on translation is included in current earnings.

Translation adjustments arising from the translation of assets, liabilities, revenues and expenses of the consolidated subsidiaries and affiliates accounted for by the equity method into yen at the applicable exchange rates at the end of the period are presented in minority interests and as a separate component of net assets.

l. Leases

As lessee

The Company and consolidated subsidiaries lease certain equipment under noncancelable lease agreements referred to as capital leases. Capital leases, defined as leases which do not transfer the ownership of the leased property to the lessee, are principally accounted for as operating leases.

As lessor

Certain consolidated subsidiaries lease certain equipment under noncancelable lease agreements referred to as direct financing leases. Direct financing leases, defined as leases which do not transfer the ownership of the leased property to the lessee, are principally accounted for as operating leases.

m. Hedge accounting

Gain or loss on derivatives designated as hedging instruments is deferred until the loss or gain on the underlying hedged item is recognized.

Foreign receivables and payables are translated at the applicable forward foreign exchange rate if certain conditions are met.

The related interest differential paid or received on interest-rate swaps used as hedging instruments is recognized over the term of each swap agreement as an adjustment to the interest expense of the underlying hedged items if certain conditions are met.

1. Summary of Significant Accounting Policies (continued)

n. Consumption taxes

Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes.

o. Income taxes

The Company and certain domestic subsidiaries have adopted the Japanese consolidated corporate tax return system.

2. Changes in Accounting Policy

Accounting Standard for Presentation of Net Assets in the Balance Sheet

Effective April 1, 2006, the Company and its consolidated subsidiaries adopted the "Accounting Standard for Presentation of Net Assets in the Balance Sheet" (Accounting Standards Board of Japan Statement No. 5 issued on December 9, 2005) and the "Implementation Guidance on Accounting Standard for Presentation of Net Assets in the Balance Sheet" (Accounting Standards Board of Japan Implementation Guidance No. 8 issued on December 9, 2005). Total stockholders' equity which was presented until the prior fiscal year amounted to ¥293,303 million as of September 30, 2006.

Net assets in the balance sheet at September 30, 2006 have been prepared in accordance with the revised Regulations for Semiannual Consolidated Financial Statements.

Accounting Standard for Business Combinations

Effective April 1, 2006, the Company and its consolidated subsidiaries adopted the "Accounting Standard for Business Combinations" (issued by the Business Accounting Council on October 31, 2003) and the "Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (Accounting Standards Board of Japan Implementation Guidance No. 10 issued on December 27, 2005).

Change in Method of Accounting for Depreciation Related to Tangible Fixed Assets

Effective April 1, 2006, JALI, a consolidated subsidiary of the Company, changed its method of accounting for depreciation related to aircraft spare parts to the straight-line method, from the declining-balance method. This change represents a necessary step in the preparation for the planned merger on October 1, 2006 between JALI and JALD, which is also a consolidated subsidiary of the Company, by conforming JALI's method of accounting for depreciation to that of JALD. The change also reflects the fact that, following the retirement of the Douglas DC-10 (which was depreciated by the declining-balance method) at the end of the prior fiscal year and the Company's medium-term business plan accelerating the retirement of older aircraft, the only method of accounting for depreciation to be applied in the future will be the straight-line method. The effect of this change was to decrease the cost of operating revenues for the six months ended September 30, 2006 by ¥666 million, to increase operating income for the six months ended September 30, 2006 by ¥666 million, and to increase ordinary income and income before income taxes and minority interests for the six months ended September 30, 2006 by ¥644 million, compared with the amounts which would have been recorded under the previous method.

3. Other Information

a. Accumulated depreciation at September 30, 2006, March 31, 2006 and September 30, 2005 amounted to ¥1,558,027 million, ¥1,582,627 million and ¥1,611,238 million, respectively.

b. At September 30, 2006, March 31, 2006 and September 30, 2005, contingent liabilities for guarantees amounted to ¥16,186 million, ¥16,887 million and ¥17,569 million, respectively. In addition, at September 30, 2006, March 31, 2006 and September 30, 2005, contingent liabilities for commitments to guarantees, keep-well agreements and other amounted to ¥579 million, ¥686 million and ¥794 million, respectively.

   JALI is alleged to have been involved in anti-competitive practices such as price-fixing and collusion with several international cargo operators and its cargo operation office in Frankfurt was investigated by the European Union antitrust authorities on February 14, 2006. On the same date, the U.S. Department of Justice inspected JALI's cargo operation office in New York. In relation to the investigation of alleged anti-competitive practices, certain air cargo customers have filed several class action lawsuits in the U.S. since February 17, 2006 against international cargo operators including JALI claiming that alleged price-fixing practices have damaged their interests and such practices should be injuncted. The plaintiffs are seeking unspecified treble damages, unspecified injuctive relief, and costs and attorneys' fees, however, no specific amounts of damages or compensation have been claimed in these class action proceedings. In Canada, several class action lawsuits have been filed seeking similar relief, but only compensatory damages are allowable under Canadian law. Management of the Company holds the view that investigations and class action lawsuits on alleged anti-competitive practices could have a material impact on the results of operations of the Company and the group. However management is unable to estimate the possible outcome of the ongoing investigation and class action lawsuits reasonably at this stage since investigations by the authorities of a number of jurisdictions, which include, but may not be limited to, the European Union, the United States, Canada, Switzerland and New Zealand, are still ongoing.

c. At September 30, 2006, March 31, 2006 and September 30, 2005, assets pledged as collateral amounted to ¥799,439 million, ¥832,344 million and ¥842,759 million, respectively. Furthermore, shares of certain consolidated subsidiaries were pledged as collateral at September 30, 2006, March 31, 2006 and September 30, 2005. In addition, at September 30, 2006, March 31, 2006 and September 30, 2005, collateralized indebtedness amounted to ¥460,937 million, ¥500,108 million and ¥512,389 million, respectively.

3. Other Information (continued)

d. Note to consolidated statement of changes in net assets

The number of shares of stock in issue and common stock in treasury were as follows:

	Six months ended September 30, 2006			
	At March 31, 2006	**Increase**	**Decrease**	**At September 30, 2006**
		(Thousands of shares)		
Number of shares of stock in issue:				
Common stock	1,982,383	750,000	–	2,732,383
Number of shares of common stock in treasury:				
Common stock	2,863	243	286	2,820

The number of shares of common stock in issue increased by 700,000 thousand shares because of a public offering and by 50,000 thousand shares because of an allocation of shares of common stock to a third party.

The increase in common stock in treasury of 243 thousand shares during this period resulted from the Company's purchase of 241 thousand odd-lot shares of less than one unit at the request of the stockholders and purchases of 1 thousand similar shares by related companies accounted for by the equity method. The decrease in shares of common stock in treasury during this period related from sales of such odd-lot shares at the request of the stockholders.

e. As a result of a revision of "Implementation Guidance on Accounting Standard for Net Income per Share" (Accounting Standards Board of Japan Implementation Guidance No. 4) on January 31, 2006, the balance of "Net unrealized gain on hedging instruments, net of taxes" has been reflected in "Net assets" in the consolidated balance sheet at September 30, 2006. Net assets per share would have amounted ¥107.45 if the same method as that of the corresponding period of the prior year had been followed at September 30, 2006.

4. Fair Value of Securities

The components of unrealized gain or loss on marketable securities classified as other securities at September 30, 2006, March 31, 2006 and September 30, 2005 are summarized as follows:

	September 30, 2006		
	Acquisition costs	Carrying value	Net unrealized gain (loss)
	(Millions of yen)		
Stocks	¥13,083	¥18,780	¥5,697
Bonds	117	108	(8)
Other	5,711	5,715	4
	¥18,912	¥24,604	¥5,692

	March 31, 2006		
	Acquisition costs	Carrying value	Net unrealized gain
	(Millions of yen)		
Stocks	¥16,821	¥31,097	¥14,275
Bonds	17	17	0
Other	5,713	5,717	4
	¥22,552	¥36,833	¥14,280

	September 30, 2005		
	Acquisition costs	Carrying value	Net unrealized gain
	(Millions of yen)		
Stocks	¥16,866	¥26,375	¥9,509
Bonds	27	29	1
Other	5,785	5,797	12
	¥22,679	¥32,202	¥9,523

Non-marketable securities classified as other securities at September 30, 2006, March 31, 2006 and September 30, 2005 amounted to ¥30,272 million, ¥28,171 million and ¥27,369 million, respectively.

5. Leases

As lessee

The following *pro forma* amounts represent the acquisition costs, accumulated depreciation and net book value of the leased property as of September 30, 2006, March 31, 2006 and September 30, 2005 and the related depreciation and interest expense for the six months ended September 30, 2006 and 2005 and the year ended March 31, 2006, which would have been reflected in the consolidated balance sheets and the related consolidated statements of operations if capital lease accounting had been applied to the capital leases currently accounted for as operating leases:

	September 30, 2006		
	Flight equipment	Other	Total
	(Millions of yen)		
Acquisition costs	¥596,553	¥17,431	¥613,985
Less accumulated depreciation	206,232	9,730	215,962
Net book value	¥390,321	¥ 7,700	¥398,022

	March 31, 2006		
	Flight equipment	Other	Total
	(Millions of yen)		
Acquisition costs	¥564,783	¥17,452	¥582,235
Less accumulated depreciation	181,053	8,995	190,049
Net book value	¥383,730	¥ 8,456	¥392,186

	September 30, 2005		
	Flight equipment	Other	Total
	(Millions of yen)		
Acquisition costs	¥581,262	¥16,924	¥598,186
Less accumulated depreciation	177,153	8,197	185,351
Net book value	¥404,108	¥ 8,726	¥412,835

5. Leases (continued)

As lessee (continued)

	Six months ended September 30, 2006	Six months ended September 30, 2005	Year ended March 31, 2006
		(Millions of yen)	
Depreciation expense	¥26,781	¥26,930	¥53,715
Interest expense	¥ 2,527	¥ 2,731	¥ 5,369

No impairment loss has been recognized on the leased property for the six months ended September 30, 2006 and 2005 and for the year ended March 31, 2006.

Lease expenses relating to capital leases accounted for as operating leases amounted to ¥28,902 million and ¥29,217 million for the six months ended September 30, 2006 and 2005, respectively, and ¥58,155 million for the year ended March 31, 2006.

The present value of future rental expenses under capital leases accounted for as operating leases outstanding at September 30, 2006, March 31, 2006 and September 30, 2005 is summarized as follows:

	September 30, 2006	March 31, 2006	September 30, 2005
		(Millions of yen)	
Within 1 year	¥ 54,786	¥ 51,839	¥ 51,781
Over 1 year	350,735	347,488	367,924
	¥405,521	¥399,327	¥419,706

Future rental expenses under operating leases outstanding at September 30, 2006 and March 31, 2006 and September 30, 2005 are summarized as follows:

	September 30, 2006	March 31, 2006	September 30, 2005
		(Millions of yen)	
Within 1 year	¥ 29,402	¥ 27,668	¥ 25,733
Over 1 year	193,928	192,877	187,021
	¥223,330	¥220,546	¥212,755

5. Leases (continued)

As lessor

The following amounts represent the acquisition costs, accumulated depreciation and net book value of the leased property as of September 30, 2006, March 31, 2006 and September 30, 2005 and the related depreciation expense and interest revenue for the six months ended September 30, 2006 and 2005 and the year ended March 31, 2006, which are reflected in the consolidated balance sheets and the related consolidated statements of operations:

	September 30, 2006
	(Millions of yen)
Acquisition costs	¥879
Less accumulated depreciation	497
Net book value	¥381

	March 31, 2006
	(Millions of yen)
Acquisition costs	¥815
Less accumulated depreciation	450
Net book value	¥364

	September 30, 2005
	(Millions of yen)
Acquisition costs	¥1,839
Less accumulated depreciation	1,411
Net book value	¥ 428

	Six months ended September 30, 2006	**Six months ended September 30, 2005**	**Year ended March 31, 2006**
		(Millions of yen)	
Depreciation expense	¥85	¥150	¥281
Interest revenue	¥ 8	¥ 9	¥ 17

5. Leases (continued)

As lessor (continued)

Lease revenues relating to direct financing leases accounted for as operating leases amounted to ¥94 million and ¥168 million for the six months ended September 30, 2006 and 2005, respectively, and ¥317 million for the year ended March 31, 2006.

The present value of future rental revenues under direct financing leases accounted for as operating leases outstanding at September 30, 2006, March 31, 2006 and September 30, 2005 is summarized as follows:

	September 30, 2006	**March 31, 2006**	**September 30, 2005**
		(Millions of yen)	
Within 1 year	¥140	¥146	¥209
Over 1 year	249	226	230
	¥389	¥372	¥440

Future rental revenues under operating leases outstanding at September 30, 2005 are summarized as follows:

	September 30, 2005
	(Millions of yen)
Within 1 year	¥7
Over 1 year	–
	¥7

6. Loss on Impairment of Fixed Assets

The Company and its consolidated subsidiaries have not recognized material impairment losses for the six months ended September 30, 2006. As a result, the details of impairment losses are not required to be disclosed in accordance with accounting principles generally accepted in Japan.

Certain consolidated subsidiaries recognized impairment losses on the following groups of assets in the consolidated statement of operations for the six months ended September 30, 2005:

Assets utilized in the Company's and consolidated subsidiaries' operations	Groups of assets	Locations
Golf courses	Land, buildings and structures and other	Tomakomai-shi, Hokkaido and other
Other operational assets	Land	Osaka-shi and other
Idle assets	Land and other	Ito-shi, Shizuoka Pref., and other

Assets are attributed or allocated to the cash generating units which generate largely independent cash flows for calculating impairment losses. Facilities which are expected to be unprofitable due to the prolonged recession in Japan and idle assets are written down to their recoverable amounts. Consequently, an impairment loss of ¥13,209 million was recognized as an extraordinary loss in the accompanying consolidated statement of operations for the six months ended September 30, 2005. A breakdown of the loss on impairment of fixed assets is as follows: ¥7,170 million on buildings and structures, ¥5,827 million on land and ¥211 million on other assets.

The Company and its consolidated subsidiaries estimate recoverable amounts as the higher of fair value less costs to sell and value in use. Fair value is based on reasonable estimates made by the Company and its consolidated subsidiaries in accordance with data sourced from the Official Road Ratings or other appropriate indexes, and value in use is calculated by discounting estimated future cash flows at the rate of 5.2%.

In addition, one affiliate accounted for by the equity method recognized its loss on impairment of fixed assets by a method similar to that adopted by the Company and its consolidated subsidiaries. Consequently, a loss on impairment of fixed assets of ¥14 million was recognized as equity in earnings of affiliates for the six months ended September 30, 2005.

6. Loss on Impairment of Fixed Assets (continued)

Certain consolidated subsidiaries recognized impairment losses on the following groups of assets in the consolidated statement of operations for the year ended March 31, 2006:

Assets utilized in the Company's and consolidated subsidiaries' operations	Groups of assets	Locations
Golf courses	Land, buildings and structures and other	Tomakomai-shi, Hokkaido and other
Other operational assets	Land and other	Osaka-shi and other
Assets to be sold	Land, buildings and flight equipment	Chitose-shi, Hokkaido and other
Idle assets	Land and other	Ito-shi, Shizuoka Pref., and other

Assets are attributed or allocated to the cash generating units which generate largely independent cash flows for calculating impairment losses. Facilities which are expected to be unprofitable, assets to be sold and idle assets are written down to their recoverable amounts. Consequently, an impairment loss of ¥18,705 million was recognized as an extraordinary loss in the accompanying consolidated statement of operations for the year ended March 31, 2006. A breakdown of the total loss on impairment of fixed assets is as follows: ¥10,361 million on buildings and structures, ¥6,274 million on land, ¥1,853 million on flight equipment and ¥216 million on other assets.

The Company and its consolidated subsidiaries estimate recoverable amounts as the higher of fair value less costs to sell and value in use. Fair value is based on reasonable estimates made by the Company and its consolidated subsidiaries in accordance with data sourced from the Official Road Ratings or other appropriate indexes and the contract amount of sales and value in use is calculated by discounting estimated future cash flows at the rate of 5.2%.

In addition, certain affiliates accounted for by the equity method recognized loss on impairment of fixed assets by a method similar to that adopted by the Company and its consolidated subsidiaries. Consequently, a loss on impairment of fixed assets of ¥18 million was recognized as equity in earnings of affiliates for the year ended March 31, 2006.

7. Derivatives

The contract amounts and the estimated fair value of the open derivatives positions to which hedge accounting are applied are not required to be disclosed in accordance with accounting principles generally accepted in Japan.

All open derivatives positions at September 30, 2006 met the criteria required for the application of hedge accounting.

The contract amounts and the estimated fair value of the open derivatives positions at March 31, 2006 and September 30, 2005 which do not meet the criteria required for the application of hedge accounting are summarized as follows:

	March 31, 2006		
	Contract amount (premium)	Fair value	Net unrealized (loss) gain
	(Millions of yen)		
Commodities:			
Options:			
Buy	¥13,284 (–)	¥ 561	¥ 561
Sell	14,973 (1,057)	(1,685)	(628)
			¥ (67)

	September 30, 2005		
	Contract amount (premium)	Fair value	Net unrealized gain (loss)
	(Millions of yen)		
Commodities:			
Options:			
Buy	¥35,035 (203)	¥ 3,484	¥ 3,281
Sell	68,922 (1,018)	(2,070)	(1,051)
			¥ 2,229

All derivative transactions presented above were conducted as over-the-counter transactions.

All derivative transactions presented above will be settled within one year.

Fair value is estimated based on prices quoted by financial institutions and others.

8. Segment Information

a. Business segment information

The Company and its consolidated subsidiaries conduct worldwide operations in air transportation, travel services, hotel and resort operations, card and lease operations, trading and airline-related business. This segmentation has been made for internal management purposes. Businesses other than the air transportation business, airline-related business, travel services and card and lease operations are insignificant to the consolidated results of operations of the Company and its consolidated subsidiaries and, accordingly, have been included in "Other."

Business segment information of the Company and its consolidated subsidiaries for the six months ended September 30, 2006 and 2005 and the year ended March 31, 2006 is summarized as follows:

	Six months ended September 30, 2006							
	Air transportation	Airline-related business	Travel services	Card and lease operations	Other	Total	General corporate assets and intercompany eliminations	Consolidated
	(Millions of yen)							
Operating revenues:								
Sales to third parties	¥804,742	¥ 78,665	¥189,880	¥ 7,737	¥ 68,976	¥1,150,002	¥ –	¥1,150,002
Inter-group sales and transfers	106,206	100,804	4,785	23,944	33,878	269,620	(269,620)	–
Total	910,949	179,470	194,666	31,682	102,855	1,419,622	(269,620)	1,150,002
Operating expenses	914,432	174,595	193,850	28,622	99,907	1,411,408	(269,565)	1,141,842
Operating income (loss)	¥ (3,483)	¥ 4,874	¥ 815	¥ 3,060	¥ 2,947	¥ 8,214	¥ (54)	¥ 8,160

	Six months ended September 30, 2005							
	Air transportation	Airline-related business	Travel services	Card and lease operations	Other	Total	General corporate assets and intercompany eliminations	Consolidated
	(Millions of yen)							
Operating revenue:								
Sales to third parties	¥773,463	¥ 64,192	¥200,445	¥ 7,033	¥ 67,212	¥1,112,346	¥ –	¥1,112,346
Inter-group sales and transfers	110,998	94,858	18,114	23,054	34,797	281,824	(281,824)	–
Total	884,461	159,051	218,560	30,087	102,010	1,394,171	(281,824)	1,112,346
Operating expenses	877,755	156,479	216,883	27,776	99,029	1,377,924	(281,363)	1,096,561
Operating income	¥ 6,705	¥ 2,571	¥ 1,677	¥ 2,311	¥ 2,980	¥ 16,246	¥ (461)	¥ 15,785

	Year ended March 31, 2006							
	Air transportation	Airline-related business	Travel services	Card and lease operations	Other	Total	General corporate assets and intercompany eliminations	Consolidated
	(Millions of yen)							
Operating revenue:								
Sales to third parties	¥1,515,602	¥149,814	¥379,435	¥14,264	¥140,268	¥2,199,385	¥ –	¥2,199,385
Inter-group sales and transfers	217,380	193,102	35,950	45,881	72,374	564,690	(564,690)	–
Total	1,732,983	342,917	415,385	60,146	212,643	2,764,075	(564,690)	2,199,385
Operating expenses	1,776,412	337,065	414,723	55,837	206,539	2,790,577	(564,357)	2,226,220
Operating (loss) income	¥ (43,429)	¥ 5,852	¥ 662	¥ 4,309	¥ 6,104	¥ (26,501)	¥ (332)	¥ (26,834)

8. Segment Information (continued)

b. Geographic segment information

The worldwide operations of the Company and its consolidated subsidiaries are geographically segmented into Japan and other areas. Areas other than Japan include Asia and Oceania, North and South America, and Europe. Geographical segmentation is based on the geographical proximity of the countries and areas. In addition, revenues from international operations of the air transportation companies are treated as revenues earned in Japan.

	Six months ended September 30, 2006				
	Japan	Other	Total	General corporate assets and intercompany eliminations	Consolidated
			(Millions of yen)		
Operating revenues:					
Sales to third parties	¥1,051,513	¥ 98,489	¥1,150,002	¥ –	¥1,150,002
Inter-group sales and transfers	12,271	36,838	49,109	(49,109)	–
Total	1,063,784	135,327	1,199,112	(49,109)	1,150,002
Operating expenses	1,055,698	134,808	1,190,506	(48,664)	1,141,842
Operating income	¥ 8,085	¥ 519	¥ 8,605	¥ (445)	¥ 8,160

	Year ended March 31, 2006				
	Japan	Other	Total	General corporate assets and intercompany eliminations	Consolidated
			(Millions of yen)		
Operating revenues:					
Sales to third parties	¥2,009,231	¥190,154	¥2,199,385	¥ –	¥2,199,385
Inter-group sales and transfers	27,298	73,266	100,564	(100,564)	–
Total	2,036,529	263,420	2,299,949	(100,564)	2,199,385
Operating expenses	2,064,547	262,020	2,326,568	(100,348)	2,226,220
Operating (loss) income	¥ (28,018)	¥ 1,400	¥ (26,618)	¥ (215)	¥ (26,834)

The major countries and areas included in each region are as follows:

Asia/Oceania:	China, Singapore, Australia, Guam
North and South America:	U.S.A. (excluding Guam), Mexico
Europe:	U.K., France, Germany, Italy

Operating revenues from operations in the "Japan" for the six months ended September 30, 2005 represented more than 90% of consolidated operating revenues. As a result, geographic segment information for the six months ended September 30, 2005 is not required to be disclosed in accordance with accounting principles generally accepted in Japan.

8. Segment Information (continued)

c. Operating revenues from overseas operations

Operating revenues from overseas operations, which include the international passenger and cargo services of three domestic subsidiaries, export sales of domestic subsidiaries, and sales of subsidiaries outside Japan, for the six months ended September 30, 2006 and 2005 and the year ended March 31, 2006 are summarized as follows:

	Six months ended September 30, 2006			
	Asia and Oceania	North and South America	Europe	Total
	(Millions of yen)			
Operating revenues from overseas operations	¥222,961	¥213,829	¥113,189	¥ 549,980
Consolidated operating revenues				¥1,150,002
Consolidated operating revenues as a percentage of operating revenues from overseas operations	19.4%	18.6%	9.8%	47.8%

	Six months ended September 30, 2005			
	Asia and Oceania	North and South America	Europe	Total
	(Millions of yen)			
Operating revenues from overseas operations	¥221,206	¥187,962	¥109,692	¥ 518,861
Consolidated operating revenues				¥1,112,346
Consolidated operating revenues as a percentage of operating revenues from overseas operations	19.9%	16.9%	9.8%	46.6%

	Year ended March 31, 2006			
	Asia and Oceania	North and South America	Europe	Total
	(Millions of yen)			
Operating revenues from overseas operations	¥442,156	¥388,791	¥206,853	¥1,037,801
Consolidated operating revenues				¥2,199,385
Consolidated operating revenues as a percentage of operating revenues from overseas operations	20.1%	17.7%	9.4%	47.2%

Geographical segmentation is based on the geographical proximity of the countries and areas.

The major countries and areas included in each region are as follows:

Asia/Oceania: China, South Korea, Singapore, India, Australia, Guam
North and South America: U.S.A. (excluding Guam), Canada, Mexico, Brazil

Europe: U.K., France, Germany, Italy

9. Business Combination

On April 1, 2006, JAL Sales Co., Ltd., a wholly owned subsidiary of the Company, was merged into JALI. This merger had no impact on the accompanying consolidated interim financial statements because both companies were wholly owned subsidiaries of the Company.

10. Subsequent Event

On October 1, 2006, JALD was merged into JALI. This merger had no impact on the accompanying consolidated interim financial statements because both companies were wholly owned subsidiaries of the Company.

Components of Revenues in the Air Transportation Segment

	Six months ended September 30, 2006		Six months ended September 30, 2005		Year ended March 31, 2006	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
International:						
Passenger operations	¥370,720	40.7	¥360,443	40.8	¥ 690,226	39.9
Cargo operations	92,419	10.1	85,480	9.7	180,573	10.4
Mail-service operations	4,247	0.5	3,917	0.4	8,441	0.5
Luggage operations	999	0.1	1,138	0.1	2,270	0.1
Subtotal	468,386	51.4	450,979	51.0	881,513	50.9
Domestic:						
Passenger operations	345,862	37.9	340,493	38.5	659,998	38.1
Cargo operations	14,295	1.6	14,585	1.7	29,440	1.7
Mail-service operations	5,297	0.6	5,204	0.6	10,819	0.6
Luggage operations	148	0.0	140	0.0	265	0.0
Subtotal	365,603	40.1	360,424	40.8	700,523	40.4
Other revenues	29,742	3.3	26,864	3.0	54,935	3.2
Incidental business revenues	47,215	5.2	46,193	5.2	96,010	5.5
Total revenues	¥910,949	100.0	¥884,461	100.0	¥1,732,983	100.0